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Analytical utility of periodizing capitalist history: Neoliberalism, social welfare spending, and income inequality in the United States

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Abstract

This article critiques policies aimed at income redistribution within the framework of Marx's critique of political economy. The 'Neoliberal' characterization of capitalist history, the tendency to divide capitalism into distinct sub-periods or phases, continues to play a significant role for describing changes to social policy in the United States. Prominent academics and public intellectuals continue to hold spirited debates over whether or not welfare spending in the United States has become less generous over the years, owing to increasing 'neoliberalization' of the American economy. This mixed-methods research paper analyzes trends in social welfare spending and income inequality for the United States. To supplement the analysis, a novel dataset on Distributional National Accounts from the Bureau of Economic Analysis is also analyzed. Evidence suggests previous concerns in the literature are unfounded and are not borne out by empirical evidence.

Keywords

capitalist production, income inequality, income redistribution, mixed-methods, neoliberalism, Piketty, rate of profit, social welfare spending, value production, welfare state

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Introduction

Debates regarding the best way to interpret Marx's value theory, and how to measure the rate of profit, have led some to question the theoretical relevance of the term 'neoliberalism'. This is especially the case regarding its usefulness for understanding socio-economic trends in the United States. An overemphasis on neoliberal political governance is problematic because it draws attention away from how the process of commodity production perpetuates class inequality in capitalist societies. The term re-directs our attention toward questions about redistribution of existing assets; and/or conservative or 'neoliberal' governance of existing capitalist political institutions. Moreover, the term neoliberalism is problematic because both politicians and left-wing political commentators use it to blame the policies of their political opponents, as opposed to the underlying capitalist mode of production. In doing so, they implicitly accept the existence of the capitalist economic system, implying that the capitalist mode of production can be altered through non-Neoliberal political governance. Finally, the 'neoliberal' characterization is problematic because individuals who describe capitalist political institutions in this manner often fail to investigate the essential nature of value production in capitalist societies. They fail to ask basic questions like the following: What is value? How is value produced? When is value produced? Why is value produced? Is the production of value necessary? Can we overcome value? Do we need to have commodity production? Do specific types of commodities exist in all forms of societies?

The concept of neoliberalism has often been invoked by various academics and social commentators to characterize changes to social policy for the United States. Social scientists continue to frame such changes in the context of a so-called 'neoliberal period', a uniquely distinctive stage of capitalist history characterized by increased popularity of right-wing governments whose primary aim is to pursue austerity policies and institute cuts to social spending. But, are such concerns backed-up by empirical evidence? This article asks the following: *To what extent is periodizing capitalist history useful for understanding socio-economic trends in the United States? Has social welfare spending declined in the United States since the start of the so-called neoliberal period? Has income inequality risen since the start of the neoliberal period?* This article employs a mixed-methods strategy to discuss the analytical utility of the concept of neoliberalism for understanding trends in social welfare spending and income inequality. The goal of this article is not to make normative judgments about what the level of social spending 'should' or 'ought' to be. Nor is the goal to make judgments about what the growth rate of one particular income group should be (ex. P90–100), relative to some other income group (ex. P30–40). Rather, the goal is to empirically verify corresponding levels of expenditures and rates of growths for the years that they are observable.

The article is structured as follows; after this introduction, section 'Literature Overview' provides an extensive overview of the existing literature. It starts by discussing how the rate of profit is used to divide capitalist history into distinct stages or periods. It also contains a discussion of how social scientists use the concept of 'neoliberalism' to characterize cuts to social spending. It also discusses methodological issues with Piketty and Saez (2003), and how criticisms of their approach led to the development of Distributional National Accounting. Section 'Discussion of Sources of Data' summarizes

all of the various sources of data that were used in this article. Section 'Descriptive Results' provides a comprehensive overview of the author's descriptive results using the sources mentioned in the second section. Appendix 1 to this article compares and contrasts trends in the shares of National Income for the Bottom 50% relative to the Top 1% using data from the open-source World Inequality Database (WID). Appendix 2 briefly looks at the connection between neoliberalism and union density for the United States. Overall, research presented in this article corroborates earlier findings by Ben-Shalom et al. (2012), Kliman (2012: 69–70), Moffitt (2015), and various others. It is argued that the neoliberal characterization is not very useful for understanding trends in social welfare spending, because social spending has trended upward both prior to and after the start of the neoliberal period.[1] Furthermore, empirical evidence suggests trends toward greater inequality actually *pre-date* the so-called 'neoliberal period' (1979–1997); and that concerns regarding a 'retrenchment' or a 'shrinking' of the welfare state are somewhat inflated. While 'neoliberalism' may be conceptually useful in some contexts, it is difficult to see how the concept is useful for understanding post-Second World War trends in social welfare spending and income inequality for the United States.

Literature overview

The term 'neoliberal' is used in various ways in both academic and informal contexts. Left-wing political commentators often use it as a pejorative to characterize policies that prioritize the interests of capitalist class over workers. This article is more interested in analyzing the tendency to divide capitalist history into distinct sub-periods, an approach referred to as the *periodization of capitalism*. Dividing capitalist history into distinct periods is a key feature of Social Structures of Accumulation (SSA), a theoretical framework that emerged in the late 1970s which combines elements of political economy, sociology, and history to analyze how institutional arrangements support or hinder the process of capital accumulation (McDonough et al. 2021: 1–32). The approach distinguishes between various stages or phases of capitalist development, and judgments regarding when one period begins or ends are made relative to peaks and troughs in the rate of profit (see Figure 1). The various periods or phases of capitalist history are sometimes described as 'growth regimes', each with its own corresponding 'welfare regime'. The term Fordism is used to describe the growth regime which dominated first half of the 20th century, especially in Western Europe and North America. Fordism is typically associated with Keynesianism, where governments stimulate aggregate demand by engaging in expansionary fiscal policy (see Hassel & Palier 2023: 7–8) 'Neoliberal Capitalism' as a distinct stage of capitalist history is said to have begun during the late 1970s and early 1980s. Harvey (2007) gives the mid 1970s and early 1980s as the starting point for the neoliberal period and writes that the 1970s were generally characterized by a global shift toward 'neoliberalization'.

In recent years, however, academic debates on how to accurately measure the rate of profit, in a way that is consistent with Marx's theory of value, have called into question the reliability of previous findings (see Duménil 1983; Foley 1982, 1986; Kliman 2007, 2012; Mohun 1994).

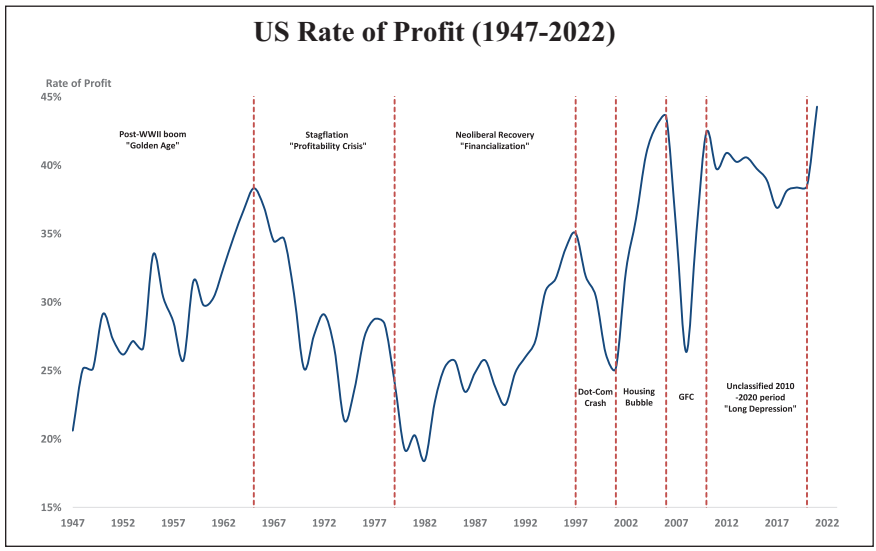

Figure 1. US rate of profit (1947–2022).
Profit rate = (net value added – labor compensation – indirect business taxes – net interest)/(fixed capital + inventories). Values for 'net value added', 'labor compensation', 'indirect business taxes', and 'net interest' were retrieved from the Bureau of Economic Analysis (BEA) National Income and Product Accounts (NIPA); Table 1.14; lines 3, 4, 7, and 9. Values for fixed capital were retrieved from BEA's Fixed Asset dataset; Table 6.7; line 2. Values for inventories were retrieved from Federal Reserve Bank of St. Louis (FRED) online database; Series A371RC1Q027SBEA. Also note that the System of National Accounts defines 'net value added' as the value of output less the values of both intermediate consumption and consumption of fixed capital.

It is a commonly held view that the rate of profit fell after the Second World War, but that it recovered and started to improve by late 1979 and early 1980s (Duménil & Lévy 2004: 24, 2011: 8, 20–23, 51, 57–60). This turnaround in the rate of profit by the early 1980s is said to have given rise to the so-called neoliberal period. It is typically argued that the overall dynamics of capitalism changed during this time, as it led to (1) changes in the relations of production and class patterns, (2) a reconfiguration of power among classes or 'social orders', and (3) improvements in the 'rate of profit' (Duménil & Lévy 2011: 3, 7–11, 14, 19–22). It is further alleged that these improvements in the rate of profit were due to an upward trend in the degree of labor exploitation, which supposedly occurred through reductions in workers' compensation. This is perhaps the single biggest reason why the subject of social welfare spending remains a topic of intense controversy, especially in the United States. Prominent academics continue to hold spirited debates over whether or not US welfare systems have become increasingly less generous over the years, ostensibly due to the increasing 'neoliberalization' of the American economy. The debate is sometimes framed in terms of the concept of a 'retrenchment' of the welfare state, while others frame the discussion in terms of a 'shrinking' of the public sector. Others like Magdoff and Foster (2008) argue that 'Worker's Share of National Income' has continued steady decline since 1960. Note that Magdoff and Foster (2008) use a

narrow definition of 'workers' share', as they do not include non-labor income or non-wage social benefits. Harvey (2007) also attributes the shrinking of the welfare state to neoliberal policies implemented under Margaret Thatcher and Ronald Reagan (see Harvey 2007: 56–63 and 163–165). While there is no generally accepted starting point for when the neoliberal period begins, it is generally acknowledged that the neoliberal period began in the mid 1970s to early 1980s. The research presented in this article challenges the widely held belief social welfare spending began to decrease after the start of the neoliberal period.

Appeals to 'neoliberalism' and neoliberal political governance remain popular ways for academics to characterize changes to social policy in the United States. Lobao et al. (2018: 389–391) began their article by writing that the public sector appears to be 'under siege' and that the social safety net, designed to protect citizen's well-being, is 'especially at risk'. They placed the blame squarely on austerity policies, writing that

> austerity and retrenchment policies have focused on reducing expenditures in areas that impact the poor and marginalised (the 'undeserving poor') – these groups have less political power and penalising them is consistent with narratives that their plight is their own fault. (Lobao et al. 2018: 394)

The authors also identified *neoliberal governance* as a core issue, writing 'neoliberalism', and 'neoliberal development' were responsible for this sustained, ideologically-driven attack on the public sector (see Lobao et al. 2018: 390, 390–394).[2] There are many researchers who continue to link the concept of neoliberalism to attacks on social welfare spending, and associate cuts to social spending with neoliberal governance of capitalist political institutions (see Abramovitz 2014; Davidson 2017; Kotz 2015; Spector 2020). Alvaredo et al. (2018: 104) also give 1980 as the turning point in inequality and policy for many countries, which they attribute to the Reagan-Thatcher revolution in the Western world and deregulation in China and India. In his book on child poverty, Madrick (2020: 18, 70–81) blames the neoliberal policies of the Reagan administration for worsening child poverty rates. Beyond academics, polemicists also tend to invoke the concept of neoliberalism to characterize changes to social policy in the United States. For example, in Hartmann (2022), Thom Hartmann blames 'neoliberal policies' and deregulation for the rise in inequality, union busting, and cuts to social welfare spending (Hartmann 2022: 20–23, 67–70).

Despite the popularity of such characterizations, empirical research by various social scientists suggests (1) that aggregate social benefits increased under the Reagan administration, and continued to increase since leaving office, (2) taxation in the United States has gotten increasingly progressive over the years, and (3) trends in rising inequality for the United States have been overestimated in recent years, especially by Piketty and Saez (2003). There is significant research suggesting that social welfare spending has continued steady growth since the start of the neoliberal period, for the United States and for various other countries, and that taxes and transfers continue to moderate income inequality (see Ben-Shalom et al. 2012; Desmond 2023; Elkjaer & Iversen 2021; Heisz & Murphy 2016; Kim & Lambert 2009; Moffitt 2015; Moffitt & Scholz 2010; Weinberg 1987; Wolff & Zacharias 2007).[3] The focus of this article is on trends in social welfare

spending for the United States. Previous research by Weinberg (1987) examines the impact of legislative changes to social welfare spending during the early years of the Reagan Administration in significant detail, from 1979 to 1984. Weinberg looks at Survey of Income and Program Participation (SIPP) data for both means-tested and non-means tested programs, and finds that 'Of 91.4 million families and unrelated individuals, 39 percent received some government transfer in April 1984, virtually the same percentage as in 1979' (Weinberg 1987: 564). In other words, there was no statistically significant change in program participation between 1979 and 1984, despite an increase in unemployment from 5.8% to 7.8%. He goes on to write that over 80% of pre-transfer poor families in 1984 received some transfer benefits, that one-fourth of families received Social Security benefits, and that 10% of families received cash welfare or Food Stamp benefits (Weinberg 1987: 564). Weinberg also looks at the poverty gap, the extent to which individuals on average fall below the poverty line. He found that total transfers eliminated the poverty gap by three-quarters, relative to pre-transfer levels, and that it reduced the poverty rate from 27.3% to 10.9% (Weinberg 1987: 567). Weinberg also found that Social Security alone reduced the poverty rate for elderly families from 58% to 17%, that the elderly received the most aid (in percentage and dollar terms), and that nearly all elderly families received some sort of government benefits (Weinberg 1987: 570, 572).

Kim and Lambert (2009) uses Current Population Survey (CPS) data for the years 1994, 1999, and 2004, and finds that taxation and expenditure policies continue to play a significant role in reducing market income inequality. They find that income inequality in the United States increased from 1994 to 2004, but after taking into account the redistributive effects of taxes and public transfers, market income inequality decreased by approximately 30%. They also found that in 2004, '88 percent of the net redistributive effect resulted from public transfers and 12 percent from taxes' (Kim & Lambert 2009: 10). Ben-Shalom et al. (2012) examine trends in various anti-poverty programs for the United States, which they divide into the following two categories: (1) Means-Tested Programs, which provide benefits to the neediest, and (2) Social Insurance Programs, which are provided universally to populations as a whole in order to insure them against certain risks such as unemployment, old age, disability, and inability to work.[4] They use the first waves of the 1984, 1993, and 2004 panels of the Survey of Income and Program Participation (SIPP) as well as other governmental resources. After adjusting for inflation and population size, their calculations suggest expenditures on social benefits have actually risen in real terms, from US$3,618 in 1990 to US$5,584 in 2008, a growth rate of about 54%.[5] Moffitt (2015) directly disputes the notion that welfare spending in the United States has been in a contractionary phase after its expansion in the 1960s. Moffitt finds that real aggregate transfer program spending per capita continuously trended upward from 1970 to 2007. Average growth rate was 60% from 1970 to 1975, 25% from 1975 to 1986, and 72% from 1986 to 2007 (Moffitt 2015: 735). Some political commentators in the United States tend to confuse trends for specific programs, such as the Temporary Assistance for Needy Families (TANF), with total social benefits. It is correct that TANF has been scaled back since its implementation in 1996 (see Moffitt 2015: 736; Shrivastava 2023; Shrivastava & Thompson 2022: 2). However, total social benefits have clearly grown over time. Findings by Ben-Shalom et al. (2012) and Moffitt

(2015) also corroborates previous research by Weinberg (1987), namely that social benefits are tilted toward people with special needs, such as the elderly and disabled, and other groups perceived as being more deserving. In the recent book on poverty in the United States, Desmond (2023) surprisingly deviates from the norm of blaming 'neoliberalism' for the lack of progress on poverty reduction in the United States. Desmond (2023: 26–27) correctly recognizes that spending on anti-poverty programs did not shrink under the Reagan administration, and has continue to grow after he left office. As empirical evidence suggests social benefits have continued steady growth since 1984, it is difficult to see how a 'retrenchment' of US welfare systems has actually occurred.[6]

Splinter (2020) examines Congressional Budget Office (CBO) data from 1979 to 2016 and finds that federal taxes become increasingly progressive between those years.[7] Splinter (2020: 1010–1011) found that average federal taxes decreased across the income distribution: –0.6% top quintile, –5.2% for middle quintile, and –7.6% for bottom quintile. For the bottom quintile, the decreases in tax rates were largely attributable to the expansion of refundable tax credits, especially the Earned Income Tax Credit. Middle-quintile tax rates decreased to tax credits such as the child tax credit. The decrease in top-quintile tax rates was due to lower corporate taxes (–1.5%), which were offset by higher payroll taxes (+1.1%), yielding a net negative figure (–0.6%). Splinter (2020) also constructs a Lorenz Curve to measure population-wide tax progressivity, and estimates a Kakwani Index of +46%, suggesting overall tax progressivity increased between 1979 and 2016. Finally, Splinter (2020: 1014–1016) correctly points out that a narrow focus on declining top marginal tax rates in the United States is misguided because they do not accurately reflect progressive nature of taxation. It is true that since the 1960s top statutory tax rates fell from 91% to 39.6%, however only a small share of taxpayers were subject to the tax rates. Splinter writes that 'In the early 1960s, the top rate was paid by only 0.001 percent of tax rates, or fewer than 500 tax units' (Splinter 2020: 1015). Another point to keep in mind is that high top tax rates between the 1960s and 1970s were accompanied by significant income sheltering, which has since declined over the years. Income sheltering is a legal mechanism used by individuals or corporations to minimize their tax liability through various methods such as taking advantage of tax deductions, tax credits, and other incentives provided by the tax law. While not inherently problematic, it can become a concern especially when examining trends at the top 1%. The top 1% tends to use sophisticated tax strategies that often lead to the under-reporting of income. This under-reporting of income can make income at the top seem lower than it truly is. Moreover, certain types of income, such as capital gains, dividends, and carried interest, are often taxed at a lower rate than wage income. High-income earners can shift their income to these forms to reduce their tax liability. If these incomes are not accounted for, the income of the top 1% could be significantly under-reported, hence, distorting overall trends in income inequality. Finally, corporations, especially multinationals, can also engage in income sheltering through tactics like profit shifting and transfer pricing. When profits are shifted to low-tax jurisdictions, it can inflate the earnings of the top 1%, who often have significant stock holdings. This can further distort trends in income inequality by under-reporting the actual income of the top 1%. These facts are important to keep in mind when examining Piketty and Saez (2003), as

their approach fails to take into account taxation, transfers, as well as corporate retained earnings between 1960 and 1980 (see Auten & Splinter 2022).

Piketty and Saez (2003) was the first major study to measure trends in income inequality for the United States over an extended period of time (1913–1998).[8] Piketty (2014) essentially popularized the findings of the original 2003 study. The study famously reported that income shares for the P90–95 and P95–99 groups followed a U-shaped trajectory (Piketty & Saez 2003: 1–3). Piketty & Saez found that there was a sharp uptick in inequality during the mid-to-late 1980s. Income shares for the P90–95 and P95–99 groups grew rapidly in 1987 and 1988, which they attributed to the Tax Reform Act of 1986 (TRA86), passed in the previous year under the Ronald Reagan administration. A big issue with this was the implication that increasing income inequality was correlated to expansionary tax policy enacted under previous Republican administrations. In other words, the two economists implied that rising income inequality was attributable to Reagan-era tax cuts (see Geloso et al. 2022; Magness & Murphy 2017). In Piketty (2014: 335, 508–512), Piketty also wrote that lower marginal tax rates totally transformed the structure of executive compensation in the United States. For the 1990s, Piketty & Saez wrote that a 'significant increase in the top marginal tax rate, from 31 to 39.6 percent, enacted in 1993, did not prevent top shares from increasing sharply' (Piketty & Saez 2003: 13–14). The two argued that income inequality rose rapidly during the three decades leading up to the Great Recession, and that the real incomes of lower and middle-income groups either fell or stagnated (see Piketty 2014: 297–298; Piketty & Saez 2003: 24–29). In recent years, their entire methodology has been harshly scrutinized for overestimating trends in income inequality; especially by Burkhauser et al. (2012) and Armour et al. (2013). For its time, the approach by Piketty and Saez (2003) was unusual due to their unconventional usage of tax data, as opposed to CPS data.[9] The two did a good job of bringing attention to the issue of income inequality. But their approach, based on tax-returns data from the International Revenue Service (IRS), has been harshly scrutinized in recent years by various economists.[10] Economists prior to Piketty and Saez (2003) had mostly relied on the Luxembourg Income Study (LIS), developed by Timothy Smeeding. The datafile for the United States in the LIS was developed using the CPS, including the Annual Social and Economic Supplements (ASEC), commonly referred to as the 'March Supplement'. By contrast, the approach by Piketty and Saez (2003: 2) uses Internal Revenue Services' (IRS) tax data, gathered from large micro-files of tax returns released by the IRS since the 1960s.

The usage of IRS tax data over March CPS data raises multiple issues. Burkhauser et al. (2012: 372) raised the valid point that tax filers have a financial incentive to underreport their incomes in various ways, in order to limit their tax liabilities. Thus, filing behavior is highly sensitive to changes in the personal income tax rates. Changes in top marginal tax rates and/or income reporting rules may lead some tax filers to manipulate their income statements, such as by reclassifying income as either wage earnings or business profits, depending on which is taxed less. Some tax filers may also be receiving untaxed fringe benefits in lieu of wage compensation. Others may defer compensation through stock options or deferred compensation packages. So, with respect to the rapid increases in the income shares of the P90–95 and P95–99 groups as reported in Piketty and Saez (2003), Burkhauser et al. (2012) correctly noted that

> the high incomes observed after the reform were likely received by individuals at the top of the income distribution prior to the reform as well, but since personal income tax rates exceeded corporate tax rates, individuals had a financial incentive to structure their income in ways that prevented it from appearing on personal income tax forms or appearing on personal income tax forms only in the form of capital gains. (Burkhauser et al., 2012: 378).

Another set of issues raised with the Piketty and Saez (2003) study has to do with the nature of the income-receiving unit, or tax filers. Studies that examine income inequality using CPS data generally aggregate income to the level of the household. By contrast, the study by Piketty and Saez (2003) aggregates income to the level of 'tax units'. This raises multiple issues. First, income is not earned evenly across individuals within each 'tax unit', and IRS data do not provide information on the distribution of income within each individual 'tax unit' (Piketty & Saez 2003: 4). Moreover, due to increasing female labor force participation for the United States, the share of income earned by the primary earner has likely declined over the century. Second, the approach by Piketty and Saez (2003) is problematic because they fail to adjust for the size of the household. Adjusting for household size is important because individuals with lower incomes generally tend to share costs and cohabitate together in larger households. Burkhauser et al. (2012) accurately note that

> low-income individuals who need to share costs and lower living expenses are more likely to live in larger households with individuals outside their tax unit. Equivalization adjusts for household size so that we get comparable figures for all households. For instance, if household income is $10,000 and there are four members of the household, equivalised household income is $5,000. Therefore, aggregating income to the household level rather than the tax unit, and adjusting for economies of scale using an equivalence scale, may yield an inequality estimate that is lower than for the distribution of pretax, pretransfer income among tax units. (p. 374)

Third, it is important to recognize that not all individuals with lower incomes file taxes in the United States. This is a big issue because many nonfilers in the United States generally have lower incomes. Individuals with incomes below a certain threshold do not show up in the population of tax filers, and as a result their incomes do not show up in the total income reported on tax returns. Burkhauser et al. (2012: 374) correctly point out that Piketty & Saez's exclusion of tax nonfilers may help to explain some of the variations in their estimates of inequality, relative to CPS-based approaches. Indeed, failing to include non-tax filers understates the number of tax filers in the top 10% decile, relative to when non-tax filers are included in the base (Burkhauser et al. 2012: 374).

Perhaps the single biggest issue that has emerged concerning the methodology of Piketty and Saez (2003) has to do with their unsatisfactory treatment of 'income'. Should income be measured on a pre-tax or post-tax basis? What kind of transfer payments, and in-kind benefits should be taken into consideration? Indeed, Piketty & Saez use a very narrow definition of 'income', which does not take into consideration other forms of non-wage compensation. Employers provide employees with various forms of non-labor income, such as dental care, vision care, and life insurance. Similarly, the government also provides individuals with various forms of social benefits; food stamps, unemployment insurance, disability, childcare, social security and so on. In this respect, Burkhauser et al. (2012) and

Armour et al. (2013) make a convincing case that there is a surprising lack of consensus over what constitutes 'income' in regards to a distributional analysis. Another issue is whether income should be measured on a pre-tax or a post-tax basis. Since Piketty & Saez measure income on a pre-tax, pre-transfer basis, their critics make a strong case that they overestimate trends in rising income inequality. Burkhauser et al. (2012) follows a different approach and uses data from the CPS. They find that trends in the income share of top 1% are actually below that of the trend measured using IRS data (Burkhauser et al. 2012: 381). Another somewhat controversial aspect of Piketty & Saez's analysis had to do with their claim that 'the increase in top income shares in the last three decades is the direct consequence of the surge in top wages' (Piketty & Saez 2003: 3), which many found to be objectionable because it implied that the process of wealth-creation is zero-sum.

Subsequent to the issues raised earlier, Piketty & Saez 'threw in the towel' and revised their entire methodology. They acknowledged that their critics are making valid criticisms, and formulated a new strategy for measuring trends in inequality. The new approach by Piketty et al. (2018) uses the method of Distributional National Accounting ('DNA'). This new approach uses a combination of tax survey as well as national accounts data, and constructs prototype distributional national accounts for the United States, starting from 1913 to 2014. Following the System of National Accounts, 'National Income' is defined as gross domestic product (GDP) minus capital depreciation plus net income from abroad. These distributional national accounts report shares of income by deciles, and capture 100% of national income. Distributional national accounts provide information on the dynamics of income *across the entire spectrum*. This article follows a slightly different methodology than Piketty et al. (2018). Instead of looking at personal income on a pre- and post-tax basis, the author of this article looks at pre- and post-transfer incomes, by decile groups. In other words, the distribution of personal income is examined, prior to and after the inclusion of Net Government Social Benefits (NGSB).

When examining trends in income inequality, it is important to recognize that changes in income inequality are largely driven by changes in incomes of the Top 1%, relative to the Bottom 50% share of National Income (see Atkinson et al. 2011; Auten et al. 2013; Auten & Splinter 2022; Bricker et al. 2016; Burkhauser et al. 2012; Kennickell & Starr-Mccluer 1997; Piketty & Saez 2003; Saez 2005; Wolff 1992). A general consensus among inequality researchers is that the rate of growth at the very top of the income distribution, the 'top 1%', is much higher than the rate of growth of the Bottom 50%. Studies that look at Canada, such as Saez and Veall (2005) and Lemieux and Riddell (2015) corroborate such claims for Canada.[11] Canadian income inequality researchers have found that incomes of Canadians in the top 1% of the income distribution have grown much faster than those of all Canadian income earners (see Lemieux & Riddell 2015: 132). Finally, the last point to keep in mind is that inequality is increasing everywhere around the world, but at different speeds. For example, inequality in the United States increases much faster than in Europe (see Alvaredo et al. 2018).

Discussion of sources of data

This section provides an overview of the different data sources used in this article. The series in Figure 1 for US rate of profit was constructed using Bureau of Economic

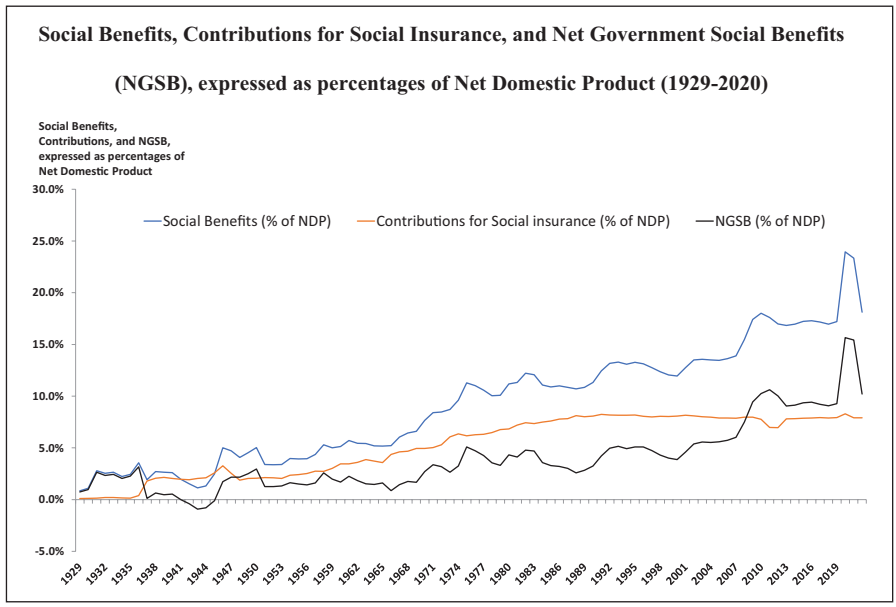

Figure 2. Social benefits, contributions for social insurance, and Net Government Social Benefits (NGSB), expressed as percentages of Net Domestic Product (1929–2020).
Figure was constructed using data from US Bureau of Economic Analysis (BEA) National Income and Product Accounts (NIPA) Table 2.1 – lines 17 and 25. Line 25 (Contributions toward Social Insurance) was subtracted from Line 17 (Government Social Benefits) to generate figures NGSB. Figures were adjusted by NDP, and then expressed as percentages. Data for NDP retrieved from Federal Reserve Bank of St Louis (FRED) online website, series A362RC1A027NBEA.

Analysis (BEA) National income and Product Accounts (NIPA), lines 3, 4 7, and 9, as well as the BEA's Fixed Assets dataset, Table 6.7, line 2. Data for Private Inventories was retrieved through the Federal Reserve Bank of St. Louis' (FRED) online database. Figures 2–6 were constructed using the BEA's NIPA, Tables 2.1 and 3.12. In order to see how fast government social benefits are expanding relative to the size of the US economy, NGSB as well as other series were adjusted using data on Net Domestic Product (NDP), retrieved from FRED. Figures 7 and 8 were constructed using data on Personal Consumption Expenditures (PCE) on healthcare services using FRED. Figure 7 displays level trends in PCE for healthcare services, whereas Figure 8 displays year-over-year percentage growth for PCE healthcare services. Figure 9 compares year-over-year percentage growth for all-items inflation versus healthcare inflation using data from FRED. Figure 10 displays government expenditures on education and employment training, expressed as a percentage of NDP, using data from NIPA Table 3.12. Figure 11 is a table that was constructed using the December 2022 version of the BEA's DNA dataset, a specialized dataset which provides novel insights into the distribution of personal income in the United States from the year 2000–2020.

Appendix 1 briefly looks at data available through the World Inequality Database (WID), which follows a methodology similar to that of Piketty and Saez (2003), and Atkinson et al. (2011). The website provides time-series data on shares of National

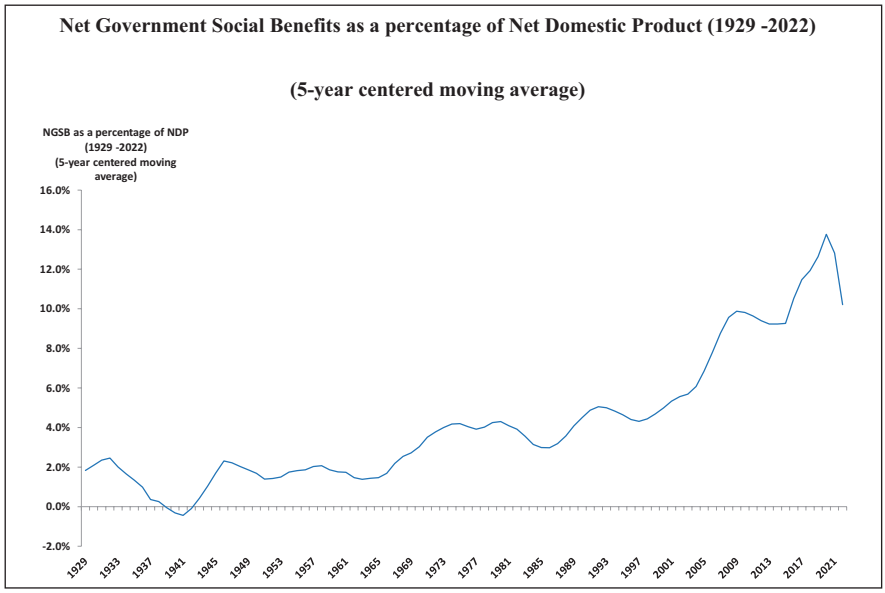

Figure 3. Net government social benefits as a percentage of Net Domestic Product (1929–2022; 5-year centered moving average).
This graph reconstructs the NGSB series from Figure 1 as a 5-year Moving Average process, centered on the third year. Data were retrieved from Table 2.1 of BEA's NIPA and FRED online database.

Income held by The Bottom 50% relative to the top 1%. As the database uses tax data, it is subject to some of the same critiques raised by Burkhauser et al. (2012) and others. Figure 12 compares pre-tax and post-tax bottom 50% Shares of National Income, whereas Figure 13 pre-tax and post-tax Top 1% Shares of National Income. Appendix 2 examines data from UnionStats, an open-source database on unions in the United States maintained by economists Dr Barry Hirsch (Georgia State University) and Dr David Macpherson (Trinity University). Information on union density is collected using the CPS. The CPS is a monthly survey conducted by the US Census Bureau and the Bureau of Labor Statistics. It provides important information regarding labor force characteristics, employment, and unemployment in the United States. The CPS collects data on labor union affiliation and membership. It asks individuals about their union membership status, including whether they are a union member, covered by a union contract, or whether they are represented by a union but not a member. This information helps track trends in union density and provides important data for analyzing the labor market and studying the dynamics of organized labor. Figures 14 and 15 display membership levels for All Wage and Salary, Private, and Public Sector workers, and Private Non-Agricultural, Private Construction, and Private Manufacturing workers, respectively, whereas Figures 16 and 17 display Percentage Union Membership Rates.

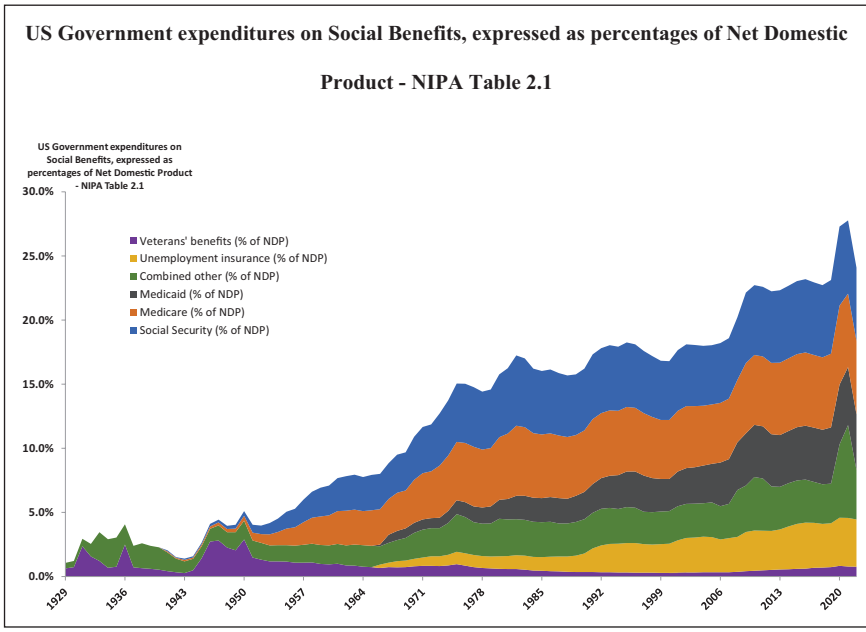

Figure 4. US government expenditures on social benefits, expressed as percentages of Net Domestic Product – NIPA Table 2.1.
This stacked area chart displays various components of US government expenditures, expressed as percentages of NDP. Figures were retrieved from the BEA's National Income and Product Accounts website, Table 2.1, lines 18, 19, 20, 21, 22, 23, and 24. For the ease of displaying trends, lines 23 ('Other') and 24 (Other current transfer receipts from business (net)) were combined into one column and labeled as 'combined other'. Values were adjusted by dividing each series by NDP using data retrieved from the FRED online database.

Descriptive results

This section summarizes the author's empirical findings through the various sources of data discussed previously. The main goal is to determine how much social spending has grown or shrunk over the years, especially since the start of the so-called 'neoliberal period', and how much income has been redistributed through the US government's various benefit programs. To do this, Figure 2 was constructed using the methodology in Kliman (2012), where 'social benefits' are defined as Medicare, Social Security, Medicaid, Veteran's Benefits, welfare assistance and unemployment insurance (Kliman 2012: 153–54). To generate figures for *NGSB*, social benefits which recipients receive, but do not contribute toward in terms taxes paid, one can subtract line 25 (contributions for government social insurance) from line 17 (government social benefits to persons), available through NIPA Table 2.1. It is important to recognize that NGSB are the portion of social benefits that recipients *do not pay for*; either through taxes that they pay or through taxes that their employers pay (contributions toward Social Security, Medicare, etc.). Furthermore, as the goal is to examine how fast NGSB is expanding relative to the rest of the US economy, both in terms of population and the size of the economy, values for NGSB are divided by NDP, and then multiplied by a 100 to get percentage figures.

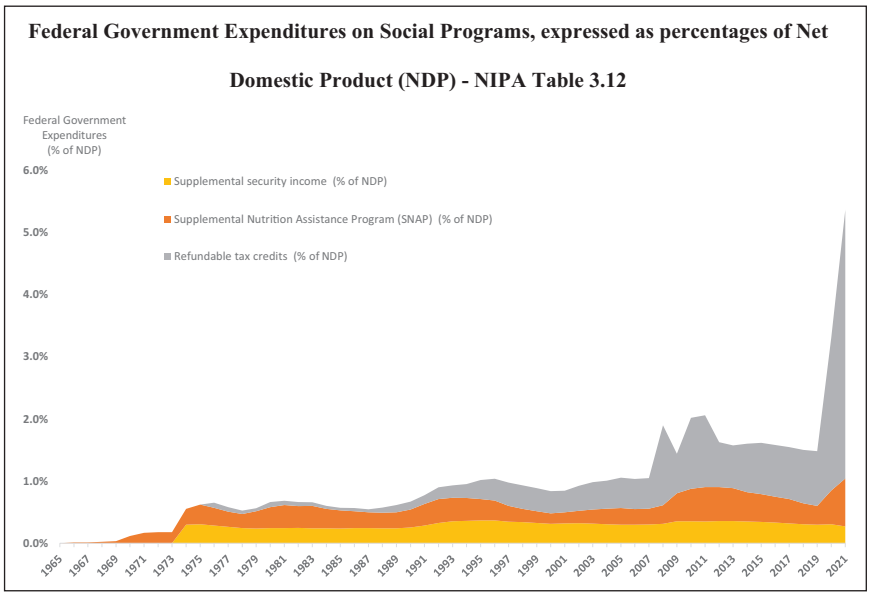
Federal Government Expenditures on Social Programs, expressed as percentages of Net Domestic Product (NDP) - NIPA Table 3.12
Federal Government Expenditures (% of NDP)
Supplemental security income (% of NDP)
Supplemental Nutrition Assistance Program (SNAP) (% of NDP)
Refundable tax credits (% of NDP)
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021

Figure 5. Federal government expenditures on social programs, expressed as percentages of NDP – NIPA Table 3.12.
This stacked area chart displays various components of Federal US government expenditures, expressed as percentages of NDP. Figures were retrieved from Table 3.12 of BEA's NIPA; Lines 7 (Unemployment Insurance), 21 (SNAP), 25 (Refundable Tax Credit), 23 (Supplemental Security Income). Values were adjusted by dividing each series by NDP using data retrieved from the FRED online database.

Figure 2 displays trends in social benefits, contributions toward social insurance, and NGSB, all expressed as percentages of NDP, from 1945 to 2020. We can see that GSB and NGSB have trended upward since 1929–2020. It is interesting to note that contributions toward social insurance trended upward from 1929 to 1970, but that from 1970 onwards it has stayed relatively flat and plateaued. Indeed during the Great Financial Crisis or Great Recession (2006–2007), the gap between GSB and contributions toward social insurance started to widen even more. From 2019 and onwards, NGSB increased further while contributions stayed flat, suggesting that GSB far outpaced contributions toward social insurance, especially during the COVID-19 pandemic. There was a sharp uptick in GSB (+6.7%) and NGSB (+6.4%) from 2019 to 2020 due to stimulus spending during the COVID-19 recession. However, from 2020 to 2022 GSB and NGSB have declined by 5.8 and 5.5 percentage points respectively, remaining above pre-pandemic levels.

Figure 3 reconstructs the NGSB series in Figure 2 as a 5-year moving average process, centered on the third year. Values for Figure 2 are expressed as percentages of NDP as the goal is to examine how fast these benefits/contributions are expanding or contracting *relative to the size of the US economy*. From Figure 3, we can see that there has been a

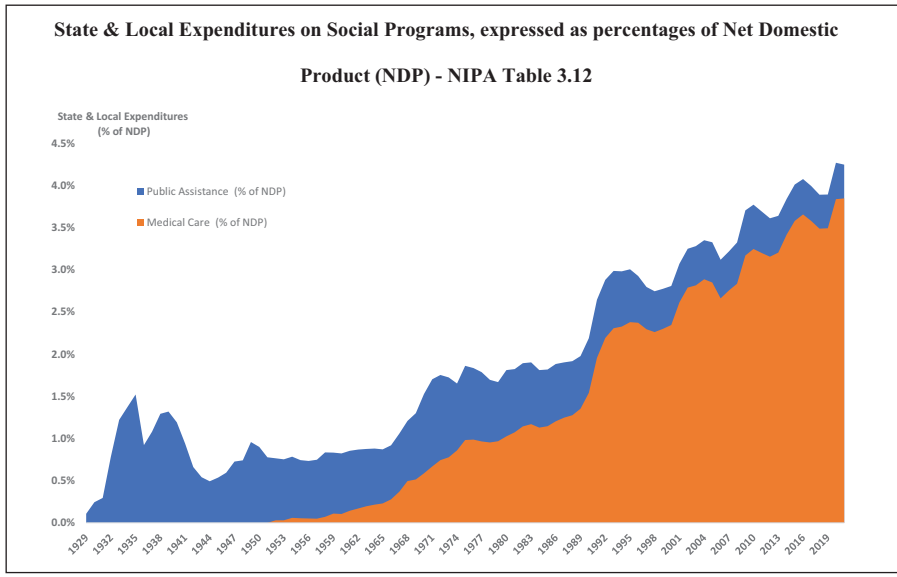
State & Local Expenditures on Social Programs, expressed as percentages of Net Domestic Product (NDP) - NIPA Table 3.12
State & Local Expenditures (% of NDP)
Public Assistance (% of NDP)
Medical Care (% of NDP)
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1929 1932 1935 1938 1941 1944 1947 1950 1953 1956 1959 1962 1965 1968 1971 1974 1977 1980 1983 1986 1989 1992 1995 1998 2001 2004 2007 2010 2013 2016 2019

Figure 6. State and local expenditures on social programs expressed as percentages of NDP – NIPA Table 3.12.
This stacked area chart displays state and local US government expenditures on public assistance and medical care, expressed as percentages of NDP. Figures were retrieved from Table 3.12 of BEA's NIPA; Lines 31 (Public Assistance) 32 (Medical Care). Values were adjusted by dividing each series by NDP using data retrieved from the FRED online database.

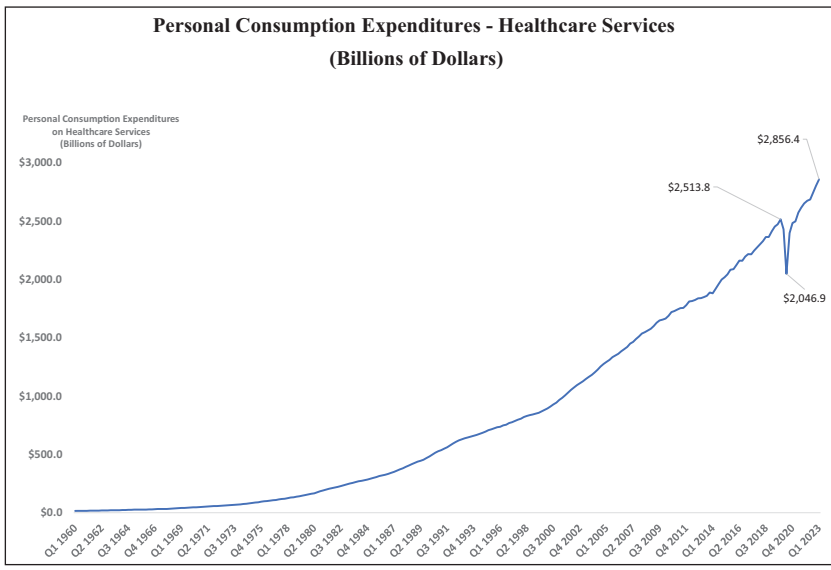

Figure 7. Personal consumption expenditures – healthcare services (billions of dollars).
This line graph displays PCE on Healthcare services on a quarterly basis, in level terms (Billions of dollars). Data were retrieved from FRED online database, series DHLCRC1Q027SBEA.

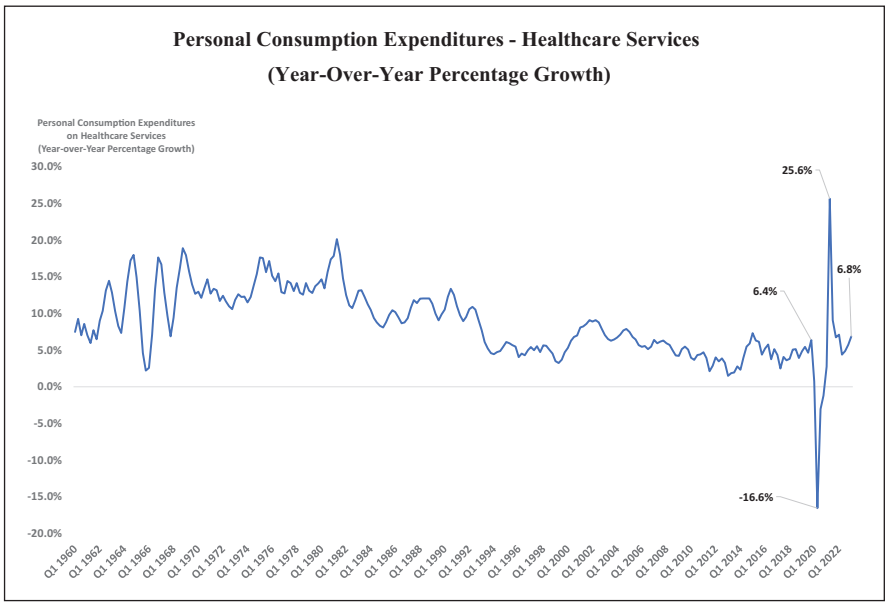

Figure 8. Personal consumption expenditures – healthcare services (year-over-year percentage growth).
This line graph displays PCE on Healthcare services on a quarterly basis, and as year-over-year percentage growth. Data were retrieved from FRED online database, series DHLCRC1Q027SBEA.

general upward trend in NGSB as a percentage of NDP, since 1945. NGSB as a percentage of NDP hovered at around 2% during the 1960s, which doubled to approximately 4% by 1968, and mid 70s. It remained at that level until the 1980s, decreasing for a short period of time (1985–1986), but then started to increase again during 1990s and 2000s. From 2015 to 2020 average NGSB increased by 4.5 percentage points, reaching 13.8% in the year 2020. Here again, it is important to note that rapid increases were driven by stimulus spending during the pandemic. From 2020 to 2022, average NGSB decreased by 3.6%, reaching 10.2% in 2022. Although average NGSB has decreased since 2020, average NGSB clearly increased from 1945 to 2020, which contradicts various claims that there has been a 'retrenchment' or a 'shrinking' of the US welfare state since the start of the so-called 'neoliberal period'.

Figure 4 is a stacked area that displays growth rates for various components of social benefits (GSB) using NIPA Table 2.1. The purpose of a stacked area chart is to visually analyze trends over time. The order in which the components are stacked can influence the perception of the trend. For this reason, it is essential to ensure that components are stacked in a logical order that accurately reflects their hierarchy. From Figure 4, we can see that spending for all categories, Social Security, Medicare, Medicaid, Unemployment insurance, Veterans' benefits, and other programs, has trended upward from 1945 to 2021. Growth in Veterans' Benefits has been relatively slower in comparison to other categories. Social Security has seen the fastest growth.

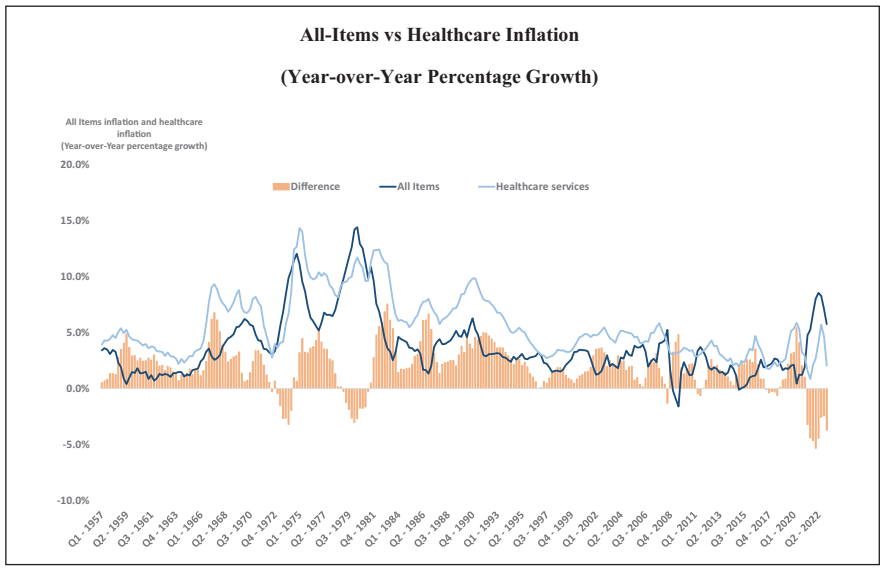

Figure 9. All-items versus healthcare inflation (year-over-year percentage growth). This graph compares rates of inflation for All-Items (Dark Blue) and Healthcare (Light Blue). The orange column bars show the difference between healthcare and all-items inflation. Data on All-Items and Healthcare inflation retrieved from FRED online database. Series for All-Items inflation is CPIAUCSL_PC1, and series for healthcare inflation is CUSR0000SAM2_PC1. Both All-Items and Healthcare inflation are expressed on a quarterly basis, and as year-over-year percentage growth.

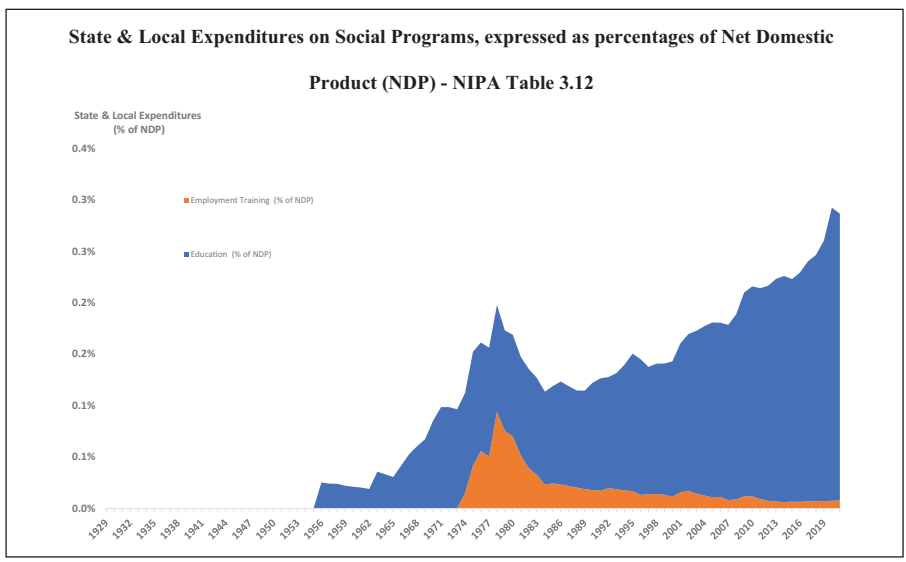

Figure 10. State and local expenditures on social programs expressed as percentages of NDP – NIPA Table 3.12.
This stacked area chart displays state and local US government expenditures, on education and employment training, expressed as percentages of NDP. Figures were retrieved from Table 3.12 of BEA's NIPA; Lines 40 (Education) 41 (Employment Training). Values were adjusted by dividing each series by NDP using data retrieved from the FRED online database.

Net Government Social Benefits (NGSB) by decile groups, adjusted by inflation and population sizes

Year	NGSB adjusted by population and inflation									
	0-10%	10%-20%	20%-30%	30%-40%	40%-50%	50%-60%	60%-70%	70%-80%	80%-90%	90%-100%
2000	$3,460.52	$5,235.55	$5,508.98	$4,963.10	$3,413.13	$1,683.90	$84.76	($1,321.16)	($2,787.52)	($5,412.32)
2001	$3,520.17	$5,543.55	$5,805.71	$5,284.55	$3,994.13	$2,288.59	$293.46	($1,027.06)	($2,612.96)	($5,532.26)
2002	$3,554.07	$5,866.31	$6,204.55	$5,694.70	$4,271.92	$2,569.80	$954.26	($577.19)	($2,207.51)	($5,481.02)
2003	$3,727.53	$6,048.34	$6,431.07	$6,076.43	$4,505.08	$2,631.40	$896.09	($460.16)	($2,252.84)	($5,638.17)
2004	$3,769.99	$6,043.37	$6,667.32	$6,170.59	$4,859.70	$2,859.19	$1,295.03	($600.47)	($2,419.28)	($6,085.36)
2005	$3,779.50	$6,027.72	$6,704.94	$6,377.31	$5,067.69	$2,891.30	$1,092.26	($346.04)	($2,381.06)	($5,838.70)
2006	$3,832.74	$5,877.12	$6,773.05	$6,640.45	$5,723.06	$3,526.32	$1,200.40	($734.62)	($2,407.71)	($5,934.26)
2007	$3,852.30	$6,378.01	$7,297.93	$6,939.59	$5,872.81	$3,353.60	$1,207.87	($455.30)	($2,686.72)	($5,731.83)
2008	$4,117.49	$6,734.66	$7,454.20	$7,641.82	$6,304.46	$4,513.42	$1,932.55	$404.75	($1,890.23)	($5,417.62)
2009	$4,008.63	$6,635.98	$7,793.55	$7,809.63	$7,478.98	$5,610.84	$3,060.75	$1,552.39	($1,126.54)	($3,903.16)
2010	$4,381.65	$7,164.09	$8,146.77	$8,512.00	$7,617.26	$6,237.68	$3,850.47	$1,622.04	($744.61)	($3,687.27)
2011	$4,470.16	$7,223.11	$8,184.23	$8,346.00	$7,987.57	$6,233.39	$4,091.07	$2,333.93	($47.81)	($3,970.34)
2012	$4,290.81	$7,303.43	$8,153.28	$8,269.11	$7,614.09	$6,047.82	$3,704.99	$1,672.02	($153.79)	($3,906.05)
2013	$4,311.08	$6,774.35	$7,877.59	$8,262.53	$7,186.70	$6,179.01	$3,832.60	$1,485.08	($1,387.17)	($5,221.48)
2014	$4,528.31	$7,069.89	$8,067.34	$8,135.43	$7,315.55	$5,724.64	$3,943.77	$1,714.83	($878.38)	($5,260.08)
2015	$4,944.39	$7,534.22	$8,529.18	$8,537.86	$7,566.17	$6,030.57	$3,836.25	$1,796.23	($714.05)	($5,512.92)
2016	$5,087.73	$7,777.95	$8,270.26	$8,174.81	$7,887.65	$6,340.55	$4,164.49	$1,642.32	($724.06)	($5,382.34)
2017	$5,203.30	$7,788.03	$8,692.15	$8,462.73	$7,490.31	$5,734.42	$3,493.35	$1,923.87	($1,081.23)	($4,642.83)
2018	$5,304.01	$7,933.55	$8,896.99	$8,352.20	$7,357.76	$6,263.14	$4,352.09	$1,660.61	($1,098.33)	($5,512.88)
2019	$5,467.09	$8,266.82	$8,878.40	$8,747.10	$7,849.63	$6,252.50	$4,174.79	$1,988.17	($390.31)	($5,831.90)
2020	$7,058.72	$10,332.65	$11,160.85	$11,688.41	$11,319.55	$9,998.65	$7,627.92	$5,195.33	$1,097.37	($4,524.51)

Figure 11. Net Government Social Benefits (NGSB) by decile groups, adjusted by inflation and population sizes.
Table was constructed using the December 2022 version of US Bureau of Economic Analysis (BEA) new DNA dataset. Original values were adjusted using a PCE index, and by US population size, in order to get inflation-adjusted per-capita figures. Both PCE and population figures were retrieved from Federal Reserve Bank of St Louis (FRED) online website. Series PCEPI was used for PCE and series POPTOTUSA647NWDB was used for population.

Figure 5 displays additional trends for federal expenditures on Social Programs, expressed as percentages of NDP, using NIPA Table 3.12. Spending on Refundable Tax Credits (RTC) and Supplemental Nutrition Assistance Program (SNAP) grew from 1930s to 2021, whereas spending Supplemental Security Income (SSI) stayed relatively flat. There was a sharp increase in RTC from 2019 to 2021, which increased by 3.4 percentage points. Figure 6 displays state and local expenditures on Public Assistance and Medical Care, expressed as percentages of NDP. Both Public Assistance and Medical Care have trended upward since their implementation. Figure 7 displays PCE on Healthcare Services in level terms (billions of dollars). In Q4-2019, PCE on Healthcare Services was US$2,513.8, which dropped down to US$2,046.9 in Q2-2020, a decrease of about 18.6 percentage points. As of Q1-2023 PCE on Healthcare Services stands at US$2,856.4, an increase of about 39.6 percentage points relative to its Q2-2020 level.

Figure 8 displays PCE on Healthcare Services, expressed as year-over-year percentage growth. In Q4-2019, YoY growth was 6.4%, which dropped down to –16.6% in Q2-2020. YoY growth then sharply increased to 25.6%. As of Q1-2023, in Q2-2021, YoY growth stands at 6.8%.

When examining healthcare expenditures in the United States, it is important to keep in mind that healthcare inflation rate is generally higher than all-items inflation, although this changed in recent years, due to the COVID-19 Pandemic. Figure 9 contrasts All-Items versus Healthcare inflation in the United States. The dark blue line shows healthcare

inflation, whereas the light blue line shows healthcare inflation. The orange column bars represent the difference between the two categories of inflation (healthcare minus all-items). Readers can see that since Q1-2021 healthcare inflation has been lower than all-items inflation. Note, this is not to say that prices for healthcare services have gone down, rather that the point is that the pace at which prices have increased has slowed down since the start of the pandemic. Trends in healthcare inflation are important to keep in mind when examining both governmental provision of healthcare benefits (Figures 4–6), and personal expenditures on healthcare services (Figures 7 and 8), because increase in nominal spending can partially be explained by higher prices for healthcare goods and services. Figure 10 displays state and local expenditures on Education and Employment Training, expressed as percentages of NDP. Spending on employment training has decreased and stayed flat relative to 1974. Spending on education has trended upward since 1956. Education spending declined from 1977 to 1983, but has trended upward since 1983.

Figure 11 displays the author's findings through the BEA's new DNA dataset, where NGSB by decile groups are computed and exhibited from 2000 to 2020. Values were adjusted by both inflation and population size in order to generate inflation-adjusted per-capita figures. The table displays how much each decile group received or contributed toward social benefits. From the table in Figure 11, we can see that for all of the years, 2000–2020, governmental social benefits were greater than contributions toward social insurance for the following decile groups: P0–10 (+104%), P10–20 (+97%), P20–30 (+103%), P30–40 (+136%), P40–50 (+232%), P50–60 (+494%), and P60–70 (+8899%). Clearly individuals in P0–70 benefited in absolute terms as real NGSB in the year 2000 was lower than real NGSB in year 2020. The discussion gets murkier for other decile groups. For the P70–80 decile, real NGSB was negative from the years 2000–2007 (contributions exceeded benefits received), but positive for 2008–2020 (benefits received exceeded contributions toward social insurance). In the year 2000, real NGSB for an individual in the P70–80 decile was –US$1,321.16, which went up to US$5,195.33 by 2020. There was a significant uptick from 2019 to 2020 for P70–80 (+161%). For the P80–90 decile, NGSB was negative from 2000 to 2019 but positive from 2019 to 2020. In 2000, real NGSB for an individual in the P80–90 decile was –US$2,787.52, which increased to –US$390.31 by 2019. Again there was a sharp uptick from 2019 to 2020 for P80–90 (+381%), where this figure became positive and increased to US$1,097.37 for 2020. For the P90–100 decile, NGSB was negative all years 2000–2020. In 2000, real NGSB for an individual in the P90–100 decile was –US$5,412.32, which decreased to –US$5,831.90 by 2019. In 2020, this figure increased to –US$4,524.51 (+22%). For all decile groups, there was a sharp increase in real NGSB from 2019 to 2020. This suggests inequality rose faster during the pandemic, especially for the P70–P80 and P80–P90 deciles. Finally, growth in real NGSB has been highest for P60–P70 decile, +8899% from 2000 to 2020, and lowest for P90–100, +16% from 2000 to 2020.

Concluding remarks

This article questioned the analytical utility of the concept of 'neoliberalism' for understanding trends in social welfare spending and income inequality for the United States. Although left-liberal commentators continue to characterize cuts to social spending

using the concept of neoliberalism, empirical evidence suggests governmental provision of social benefits has grown, both in absolute terms and compared to the overall size of the economy. Taxes and transfers continue to play a significant role in reducing income inequality, and aggregate welfare spending has continued steady growth since the late 1970s and early 1980s. This contradicts the 'retrenchment' narrative; the misguided belief held by many social scientists that social spending started to decline during the start of the so-called 'neoliberal period' (late 1970s). Government provision of social benefits has not diminished, rather the US benefits system continues to show strong redistributive effects. In regards to governmental provision of healthcare-related social benefits, nominal spending has increased over time, but so have prices for such healthcare related goods and services. The BEA's new DNA dataset reveals important information regarding growth in post-transfer incomes. Real NGSB has shown positive growth for all percentile groups, although the change in magnitude has been different for each decile. Real NGSB for P80–90 was negative from 2000 to 2019, but turned positive in 2020. By contrast, Real NGSB for P90–100 has stayed negative for all years.

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Notes

1. In Appendix 2, it is argued that the concept of neoliberalism is somewhat useful for understand downward trends in union density.
2. See also Bruch and White (2018), Vachon and Wallace (2018), and Murie (2018) in the same issue; Volume 11, Issue 3 of the Cambridge Journal of Regions, Economy and Society.
3. See also Figure 22.1 in Ben-Shalom et al. (2012: 985).
4. Examples of means-tested programs would be the Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), Medicaid, Children's Health Insurance Program (CHIP), Earned Income Tax Credit (EITC), housing aid, and assistance related to job training programs. Examples of social insurance programs would be things such as Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), Unemployment Insurance (UI), and Medicare.
5. Exact figures were retrieved from authors' supplementary excel file, provided to the author directly by Dr Robert Moffitt through email correspondence.
6. Similar findings have been made for Canada. Heisz and Murphy (2016) use Canadian data and find that together, 'taxes and transfers decreased inequality by 28 percent from its market income level' (Heisz & Murphy 2016: 444).
7. The study by Splinter is based on confidential samples of individual tax-return files which are then matched to Current Population Survey (CPS) records. Tax progressivity is defined as a rate structure where the average rate of tax increases as one moves up the income scale.
8. The study looked at pre-tax, pre-transfer income.
9. See Atkinson et al. (1995), Smeeding and Grodner (2000), Atkinson and Brandolini (2001), Atkinson et al. (2001), and Gottschalk and Smeeding (1997) for surveys of earlier studies on income inequality. See also Gottschalk and Danziger (2005), Burkhauser et al. (2009), and Ravallion (2015).
10. See Burkhauser et al. (2012), Armour et al. (2013), Geloso and Magness (2020), Geloso (2018), and Delsol et al. (2017). See also Chapter 10 of Delsol et al. (2017) which contains Burkhauser's analysis of the 'fixed pie' view of the economy. And see also the new paper by V. J. Geloso et al. (2022).

11. Lemieux and Riddell (2015) uses detailed 'long-form' National Household Survey data to track the evolution of income inequality for Canada from 1981 to 2006, and 2011.
12. As mentioned previously, the data from World Inequality Database (WID) relies on tax-returns data, so it is important to keep in mind that estimates might be over or under-reported.
13. Note that data are missing for the year 1982 for all four figures (Figures 14 to 17).

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Author biography

Ridhiman Balaji is currently employed as an economist at the Ministry of Finance for the Government of Ontario. He has a Masters of Arts in Economics from Concordia University. His research primarily centers on a correct understanding of Marx's theory of value. He is driven by a passion to explore the relevance of Marx's ideas in contemporary capitalist societies, with a particular emphasis on economic inequality and labour rights in the global economy.

Appendix 1

Figure 13 analyzes Pre-Tax and Post-Tax shares of National Income for the Bottom 50% and Top 1% for the United States. The figures use data retrieved from the World Inequality Database (WID).[12] Figure 12 suggests an inflection point at 1989. Post-tax bottom 50% shares of national income (light blue) were below pre-tax shares (dark blue), prior to 1989. One reason for this could be due to regressive taxation and less generous welfare spending prior to 1989. After 1989, post-tax bottom 50% shares surpassed pre-tax shares. Moreover, after 1989, the two series started to diverge, which implies US taxation and income redistribution have become somewhat progressive from 1989 to 2019. Generally speaking, pre-tax shares of national income held by the bottom 50% increased after the Second World War, reaching its peak around 1972/1973 (~21%), and then continued steady decline ever since, standing at around 14% as of 2019. Post-tax national income held by the bottom 50% was around 12% in 1962, which increased to 17% in 2019. Figure 13 suggests taxation has shifted Top 1% shares downward, but that trends in pre-tax and post-tax shares remains the same, that is, upward trending. The gap between pre-tax and post-tax shares appears to have remained the same over the years, averaging around 3% from 1962 to 2019. The pre-tax share of national income held by the top 1% (dark blue line) decreased after the Second World War, reaching its lowest point around 1976–1979 (~11%), which has continued steady growth ever since, 19% in 2019. On a post-tax basis, the top 1% share of national income significantly decreased after the Second World War, reaching its lowest point around 1973–1976 (9% in 1976), but reversed track and continued to increase, reaching around 16.5% in 2019.

Appendix 2

Figures 14–17 display trends in union density for the United States.[13] While it is not the sole factor, neoliberalism has been cited as one of the factors that contribute to declining union density in the United States. Empirical evidence through the CPS corroborates some of these claims. Figure 14 displays union density (levels) for All Wage and Salary, Private, and Public Sector workers, and Figure 15 displays union density (levels) for Private Non-Agricultural, Private Construction, and Private Manufacturing workers. From Figure 14, we can see that union density rose for All Wage and Salary, Private sector workers from 1973 to 1979/1980, but that since 1983, it has trended downward. Figure 15 provides more detailed information on union density for private sector workers. From Figure 15, we can see that union density for private non-agricultural and private manufacturing workers has trended downward since 1983. Figure 15 also tells us that union density for private construction workers has stayed relatively flat from 1983 to 2021. Figures 16 and 17 display union density as a percentage, calculated as portion

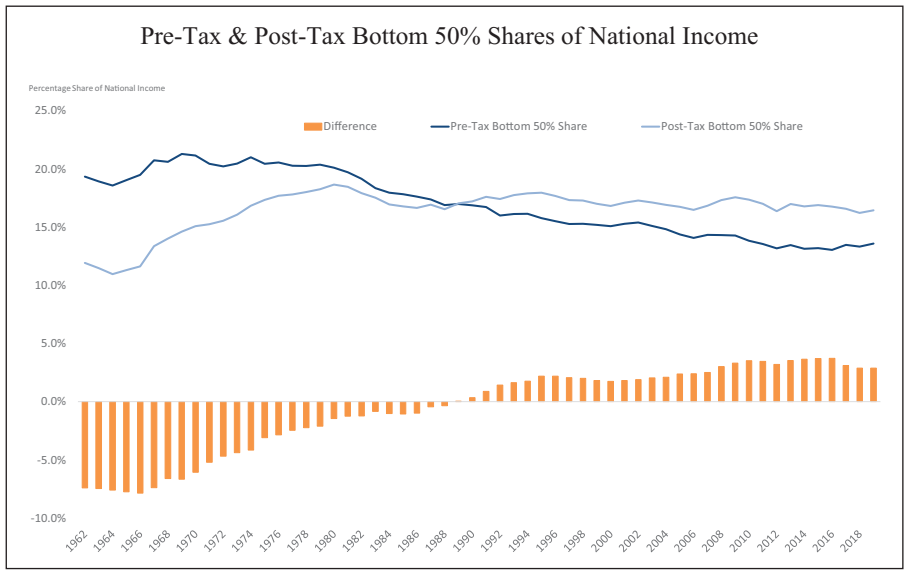

Figure 12. Pre-tax and post-tax bottom 50% shares of national income.
Figure was constructed using data retrieved from World Inequality Database (WID), available at: https://wid.world/data/. Left-axis represents Pre-Tax (Dark Blue) and Post-Tax (Light Blue) Bottom 50% (p0p50) Shares of National Income for the United States. Data after 2019 is not available. Orange columns represent the difference between pre-tax and post-tax shares.

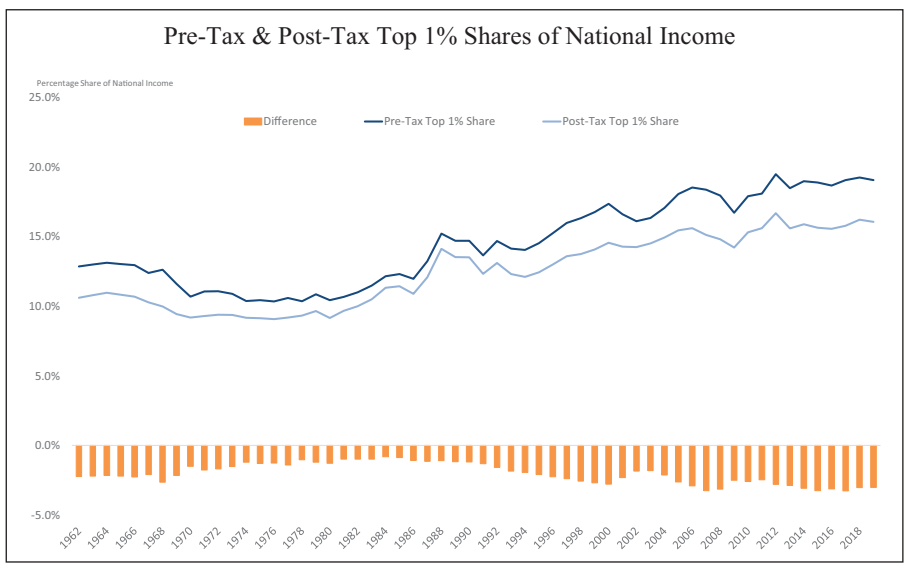

Figure 13. Pre-tax and post-tax top 1% shares of national income.
Figure was constructed using data retrieved from World Inequality Database (WID), available at: https://wid.world/data/. Left-axis represents Pre-Tax (Dark Blue) and Post-Tax (Light Blue) Top 1% (p99p100) Shares of National Income for the United States. Data after 2019 are not available. Orange columns represent the difference between pre-tax and post-tax shares.

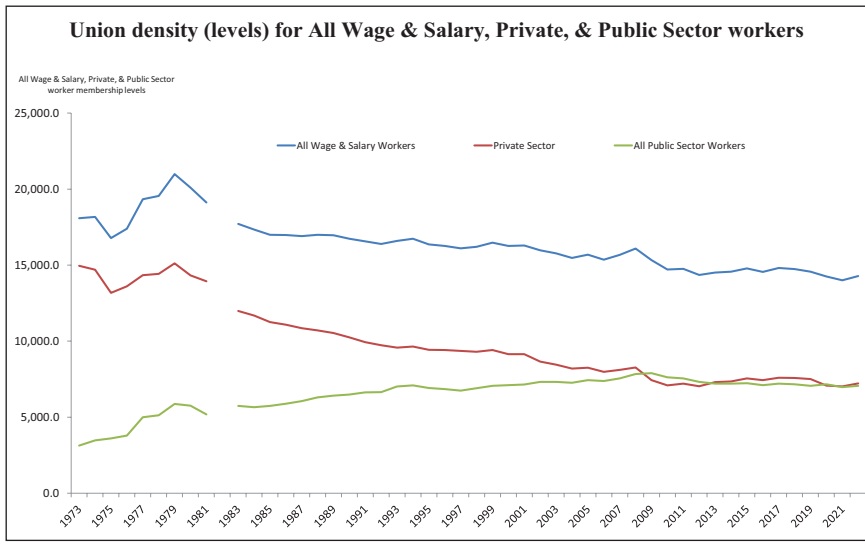

Figure 14. Union density (levels) for all wage and salary, private, and public sector workers.
Union density figures retrieved from Section I of Union Membership and Coverage Database, available at: http://unionstats.gsu.edu/. Section I contains information on Union Membership, Coverage, Density, and Employment, for the years 1973–2022. Figure 14 only displays values for All Wage and Salary, Private, and Public Sector workers under the 'members' column. 'Members' is defined as employed workers who are union members. Corresponding values on the left-axis are in the thousands. Data for year 1982 is unavailable. UnionStats is an open-source database maintained by Dr Barry Hirsch (Georgia State University) and Dr David Macpherson (Trinity University).

of employed workers who are union members. Figure 16 tells us that union density for All Wage and Salary and Private sector workers have declined steadily since 1983. For Public sector workers, union density improved from 1973 to 1979/1980, however, since 1980 percentage union density for public sector workers has stayed relatively flat. Figure 17 provides more information on private sector union density. It tells us that for all three types of private sector workers, non-agricultural, construction and manufacturing, union density has declined steadily since 1973.

A big issue with relating discussions about declining union density to neoliberalism is that neoliberalism is a complex and multifaceted concept that has been defined and interpreted in various ways by different scholars and thinkers. Neoliberalism is sometimes understood as an emphasis on free markets, minimal government intervention, deregulation, and the promotion of individual liberty and economic freedom. Neoliberalism is often associated with the privatization and marketization of public goods and services. Another conceptualization of neoliberalism emphasizes the increasing power and influence of financial markets and capital. This view highlights the growing significance of financial institutions, speculative activities, and the pursuit of profit as central drivers of economic and social processes, shaping policies, and exacerbating economic inequalities. Finally, neoliberalism is sometimes seen as an ideological framework that promotes individualism, self-interest, and personal responsibility; downplaying the importance of

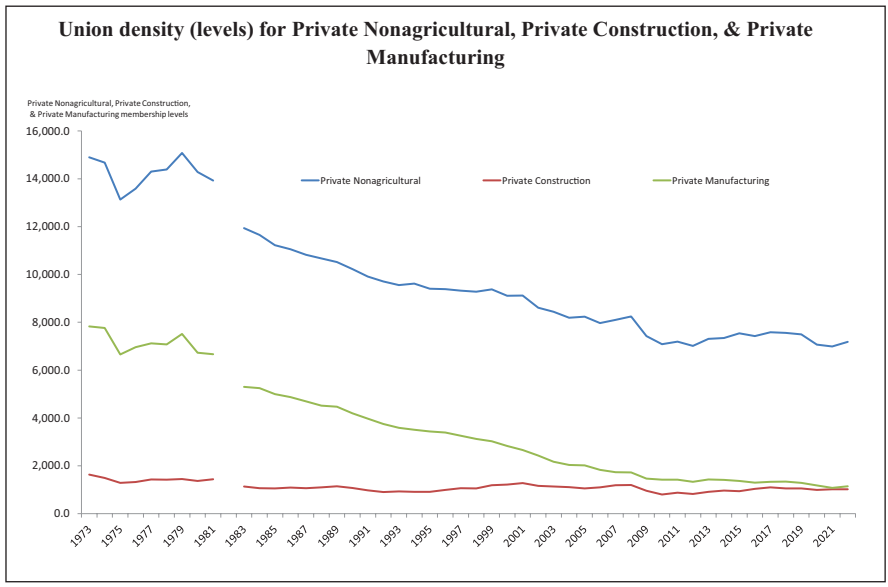

Figure 15. Union density (levels) for private non-agricultural, private construction, and private manufacturing.
Union density figures retrieved from Section I of Union Membership and Coverage Database, available at: http://unionstats.gsu.edu/. Section I contains information on Union Membership, Coverage, Density, and Employment, for the years 1973–2022. Figure 15 only displays values for Private Non-Agricultural, Private Construction, and Private Manufacturing under the 'members' column. 'Members' is defined as employed workers who are union members. Corresponding values on the left-axis are in the thousands. Data for year 1982 is unavailable. UnionStats is an open-source database maintained by Dr Barry Hirsch (Georgia State University) and Dr David Macpherson (Trinity University).

collective action. It is important to note that these different conceptualizations are not mutually exclusive and can overlap to varying degrees. Neoliberalism is sometimes contrasted with the concept of *Developmentalism*, a social policy paradigm that emphasizes the need for state-led interventions in the economy to foster economic development and growth. Countries such as South Korea, Singapore, and Taiwan are often point to as countries that successfully adopted developmentalist policies and transformed their economies within a few decades. Proponents of Developmentalism advocate a more active role of the state. This can involve direct intervention, such as creating state-owned enterprises, or indirect methods, like setting up regulatory frameworks that guide private sector activities toward desired industries. Finally, in contrast to proponents of neoliberalism, proponents of developmentalism often advocate protectionism and industrial policies, where the state actively promotes certain sectors over others, often targeting industries perceive as having a high growth potential.

Degree of regulation is an important aspect to consider when discussing the impact of neoliberalism on declining unionization rates. Proponents of neoliberal ideology often advocate for reduced government intervention and deregulation, which can have significant implications for labor markets and unionization. Neoliberal policies often prioritize labor market flexibility, which can involve curtailing regulations that govern employment

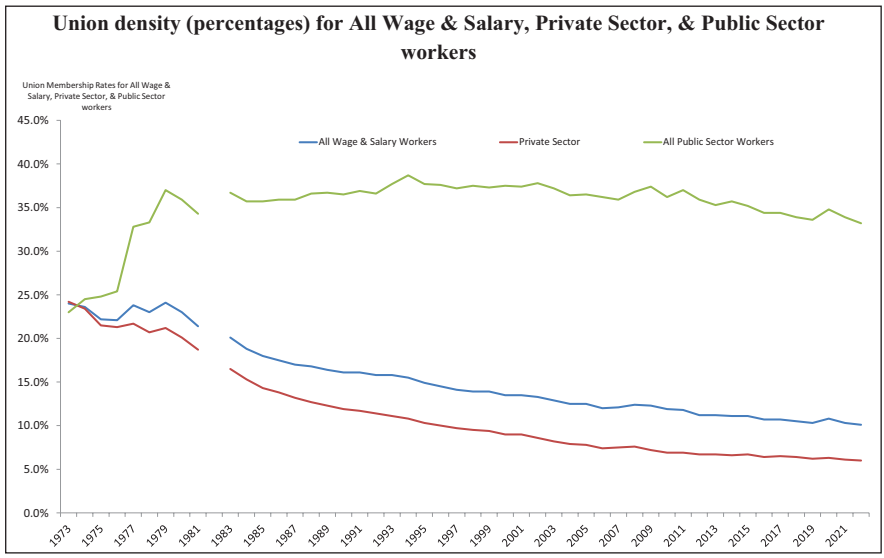

Figure 16. Union density (percentages) for all wage and salary, private sector, and public sector workers.
Data retrieved from Section I of Union Membership and Coverage Database, available at: http://unionstats.gsu.edu/. Section I contains information on Union Membership, Coverage, Density, and Employment, for the years 1973–2022. Figure 16 displays values for All Wage & Salary, Private Sector, & Public Sector under the '%Mem' column. '%Mem' is defined as percentage of employed workers who are union members. Corresponding values on the left-axis are percentages. Data for year 1982 are unavailable. UnionStats is an open-source database maintained by Dr Barry Hirsch (Georgia State University) and Dr David Macpherson (Trinity University).

relationships. This can include relaxing restrictions on hiring and firing, reducing the scope of collective bargaining, and allowing more flexibility in terms of working hours and employment contracts. These measures can make it more challenging for unions to negotiate and maintain strong collective agreements, potentially contributing to declining union density. Neoliberalism can involve changes to labor laws and regulations that protect workers' rights to organize and engage in collective bargaining. The weakening of labor laws, such as limiting the ability to strike, imposing restrictions on union activities, or reducing legal protections for workers, can undermine the power of unions and make it more difficult for them to organize and represent workers effectively. Neoliberalism is often associated with a pro-capitalist ideology that fosters anti-union sentiment. Advocates argue that reducing regulations and promoting individual bargaining can lead to greater efficiency and economic growth. As a result, some proponents of neoliberal ideology may be less supportive of unions, viewing them as obstacles to market dynamics, and economic flexibility. In the United States, right-to-work laws have been implemented in several states. These laws prohibit agreements between employers and unions that require workers to join or financially support the union as a condition of employment. By reducing union membership and weakening unions' financial resources, right-to-work laws contribute to the decline in union density.

Promotion of globalization and trade liberalization can potentially have negative effects on unions. Increased exposure to international competition and the outsourcing

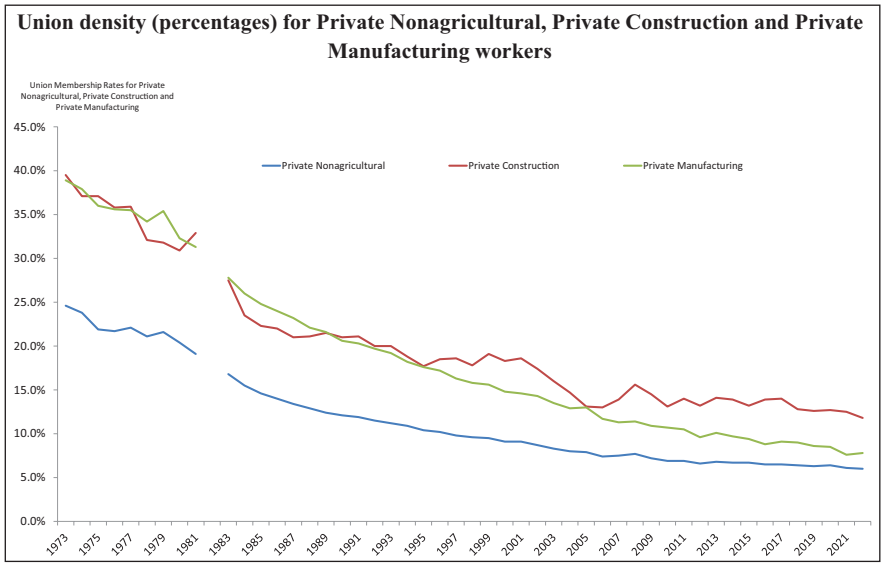

Figure 17. Union density (percentages) for private non-agricultural, private construction, and private manufacturing workers.
Data retrieved from Section I of Union Membership and Coverage Database, available at: http://unionstats.gsu.edu/. Section I contains information on Union Membership, Coverage, Density, and Employment, for the years 1973–2022. Figure 17 displays values for Private Non-agricultural, Private Construction and Private Manufacturing workers under the '%Mem' column. '%Mem' is defined as percent of employed workers who are union members. Corresponding values on the left-axis are percentages. Data for year 1982 are unavailable. UnionStats is an open-source database maintained by Dr Barry Hirsch (Georgia State University) and Dr David Macpherson (Trinity University).

of jobs to countries with lower labor costs can lead to job losses and reduce the bargaining power of unions over time. Technological change has played a significant role in the declining union membership rates in the United States. Technological advancements, particularly automation and the adoption of advanced manufacturing processes, have led to the displacement of certain types of jobs. Industries such as manufacturing, transportation, and retail have witnessed significant job losses due to automation. As these industries traditionally had higher unionization rates, the decline in employment opportunities directly affects union density. Technological change has reshaped the labor market by creating new types of jobs and altering the demand for certain skills. The growth of the gig economy, remote work, and non-traditional employment arrangements has made it more challenging for unions to organize and represent workers. These new forms of work often lack the stability and long-term employment relationships that were more conducive to unionization. Technological advancements have increased employers' bargaining power by providing them with more options and flexibility. For example, the rise of outsourcing and offshoring allows companies to seek cheaper labor elsewhere, reducing their reliance on unionized workers. In addition, technological advancements have facilitated the monitoring and surveillance of employees, making it harder for unions to organize and engage in collective bargaining without interference. Technological progress has enabled work to become more fragmented and decentralized. This has led to the growth of subcontracting and supply chains, making it difficult for unions to organize

across various subcontracted and distributed workplaces. The dispersed nature of work limits the ability of unions to mobilize workers and achieve collective bargaining power. Technological advancements often require workers to possess new skills and adapt to evolving job roles. Unionized workers may face challenges in acquiring these new skills, particularly if training programs and opportunities are not provided or readily available. As a result, unions may struggle to remain relevant in sectors that undergo rapid technological change. It is worth noting that technological change is not inherently antagonistic to unionization. Unions can adapt and find ways to represent workers in emerging industries and occupations. Some unions have successfully organized workers in sectors such as technology and healthcare. Nevertheless, the disruptive effects of technological change on employment patterns and labor markets are important to take into consideration when analyzing declining union density in the United States.

An interesting study by Lipset and Meltz (2004) compares and contrasts attitudes toward unions and actual union density rates in the United States versus Canada. They find that while public opinion surveys consistently show that Americans hold more favorable attitudes toward unions compared to Canadians, actual union membership rates in the United States are significantly lower than in Canada. Lipset and Meltz suggest several factors such as legal and institutional environment, cultural values, and political history. According to Lipset and Meltz (2004: 11), Canada is much more unionized than the United States, but Canada is much less organized than most of Europe. They find that higher union density is correlated with a higher 'Left Cumulative Power' index and that cross-national variation in union density can partially be explained by the strength of left-wing parties in various countries (social democratic, labor, socialist, communist, etc.; Lipset & Meltz 2004: 16–17). Left parties have never been represented at the national level in the United States or Canada, however, in Canada, they have had considerable strength at the provincial level, much more than in US states. Social democratic parties affect the legal environment in which unions operate, which leads to higher bargaining power. Other factors include The Ghent System, a model of unemployment insurance that originated in Ghent, Belgium, where trade unions are heavily involved in providing unemployment benefits to its members. This system is often associated with high union membership rates because members receive these benefits as part of their union participation. Under the Ghent system, the government provides a legal framework and financial subsidies to unemployment insurance funds, which are often run by the unions. Both Canada and the US do not use the Ghent system, however many European countries do, and their union density rates are much higher. Country size and size of labor force are negatively correlated with union density. Bigger countries such as the United States have relatively lower union density rates than smaller countries such as Austria, Belgium, and Finland. Higher union density in Canada reflects a proportionally smaller industrial and urban base, relative to the United States. Lipset and Meltz also argue that differences in political culture play a significant role in explaining variation in union density across various countries. Canada is more in line with its Tory and European lineage, especially since the country was historically as a safe-haven for Monarchists and royalists. By contrast, the United States is more libertarian, individualistic, and inclined toward laissez-faire economics. The authors posit that American cultural values can partially explain lower unionization rates.